



General Assembly

January Session, 2007

Committee Bill No. 125

LCO No. 4880

04880SB00125HED

Referred to Committee on Higher Education and Employment
Advancement

Introduced by:
(HED)

**AN ACT CONCERNING TAX DEDUCTIONS FOR COLLEGE SAVINGS
PROGRAMS.**

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Subparagraph (B) of subdivision (20) of subsection (a) of
2 section 12-701 of the general statutes is repealed and the following is
3 substituted in lieu thereof (*Effective from passage and applicable to taxable*
4 *years commencing on or after January 1, 2007*):

5 (B) There shall be subtracted therefrom (i) to the extent properly
6 includable in gross income for federal income tax purposes, any
7 income with respect to which taxation by any state is prohibited by
8 federal law, (ii) to the extent allowable under section 12-718, exempt
9 dividends paid by a regulated investment company, (iii) the amount of
10 any refund or credit for overpayment of income taxes imposed by this
11 state, or any other state of the United States or a political subdivision
12 thereof, or the District of Columbia, to the extent properly includable
13 in gross income for federal income tax purposes, (iv) to the extent
14 properly includable in gross income for federal income tax purposes
15 and not otherwise subtracted from federal adjusted gross income

16 pursuant to clause (x) of this subparagraph in computing Connecticut
17 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
18 extent any additional allowance for depreciation under Section 168(k)
19 of the Internal Revenue Code, as provided by Section 101 of the Job
20 Creation and Worker Assistance Act of 2002, for property placed in
21 service after December 31, 2001, but prior to September 10, 2004, was
22 added to federal adjusted gross income pursuant to subparagraph (A)
23 (ix) of this subdivision in computing Connecticut adjusted gross
24 income for a taxable year ending after December 31, 2001, twenty-five
25 per cent of such additional allowance for depreciation in each of the
26 four succeeding taxable years, (vi) to the extent properly includable in
27 gross income for federal income tax purposes, any interest income
28 from obligations issued by or on behalf of the state of Connecticut, any
29 political subdivision thereof, or public instrumentality, state or local
30 authority, district or similar public entity created under the laws of the
31 state of Connecticut, (vii) to the extent properly includable in
32 determining the net gain or loss from the sale or other disposition of
33 capital assets for federal income tax purposes, any gain from the sale
34 or exchange of obligations issued by or on behalf of the state of
35 Connecticut, any political subdivision thereof, or public
36 instrumentality, state or local authority, district or similar public entity
37 created under the laws of the state of Connecticut, in the income year
38 such gain was recognized, (viii) any interest on indebtedness incurred
39 or continued to purchase or carry obligations or securities the interest
40 on which is subject to tax under this chapter but exempt from federal
41 income tax, to the extent that such interest on indebtedness is not
42 deductible in determining federal adjusted gross income and is
43 attributable to a trade or business carried on by such individual, (ix)
44 ordinary and necessary expenses paid or incurred during the taxable
45 year for the production or collection of income which is subject to
46 taxation under this chapter but exempt from federal income tax, or the
47 management, conservation or maintenance of property held for the
48 production of such income, and the amortizable bond premium for the
49 taxable year on any bond the interest on which is subject to tax under

50 this chapter but exempt from federal income tax, to the extent that
51 such expenses and premiums are not deductible in determining federal
52 adjusted gross income and are attributable to a trade or business
53 carried on by such individual, (x) (I) for a person who files a return
54 under the federal income tax as an unmarried individual whose
55 federal adjusted gross income for such taxable year is less than fifty
56 thousand dollars, or as a married individual filing separately whose
57 federal adjusted gross income for such taxable year is less than fifty
58 thousand dollars, or for a husband and wife who file a return under
59 the federal income tax as married individuals filing jointly whose
60 federal adjusted gross income for such taxable year is less than sixty
61 thousand dollars or a person who files a return under the federal
62 income tax as a head of household whose federal adjusted gross
63 income for such taxable year is less than sixty thousand dollars, an
64 amount equal to the Social Security benefits includable for federal
65 income tax purposes; and (II) for a person who files a return under the
66 federal income tax as an unmarried individual whose federal adjusted
67 gross income for such taxable year is fifty thousand dollars or more, or
68 as a married individual filing separately whose federal adjusted gross
69 income for such taxable year is fifty thousand dollars or more, or for a
70 husband and wife who file a return under the federal income tax as
71 married individuals filing jointly whose federal adjusted gross income
72 from such taxable year is sixty thousand dollars or more or for a
73 person who files a return under the federal income tax as a head of
74 household whose federal adjusted gross income for such taxable year
75 is sixty thousand dollars or more, an amount equal to the difference
76 between the amount of Social Security benefits includable for federal
77 income tax purposes and the lesser of twenty-five per cent of the Social
78 Security benefits received during the taxable year, or twenty-five per
79 cent of the excess described in Section 86(b)(1) of the Internal Revenue
80 Code, (xi) to the extent properly includable in gross income for federal
81 income tax purposes, any amount rebated to a taxpayer pursuant to
82 section 12-746, (xii) to the extent properly includable in the gross
83 income for federal income tax purposes of a designated beneficiary,

84 any distribution to such beneficiary from any qualified state tuition
85 program, as defined in Section 529(b) of the Internal Revenue Code,
86 established and maintained by this state or any official, agency or
87 instrumentality of the state, (xiii) to the extent allowable under section
88 12-701a, contributions to accounts established pursuant to any
89 qualified [state] tuition program, as defined in Section 529(b) of the
90 Internal Revenue Code, [established and maintained by this state or
91 any official, agency or instrumentality of the state,] (xiv) to the extent
92 properly includable in gross income for federal income tax purposes,
93 the amount of any Holocaust victims' settlement payment received in
94 the taxable year by a Holocaust victim, and (xv) to the extent properly
95 includable in gross income for federal income tax purposes of an
96 account holder, as defined in section 31-51ww, interest earned on
97 funds deposited in the individual development account, as defined in
98 section 31-51ww, of such account holder.

99 Sec. 2. Subparagraph (B) of subdivision (20) of subsection (a) of
100 section 12-701 of the general statutes is repealed and the following is
101 substituted in lieu thereof (*Effective from passage and applicable to taxable*
102 *years commencing on or after January 1, 2008*):

103 (B) There shall be subtracted therefrom (i) to the extent properly
104 includable in gross income for federal income tax purposes, any
105 income with respect to which taxation by any state is prohibited by
106 federal law, (ii) to the extent allowable under section 12-718, exempt
107 dividends paid by a regulated investment company, (iii) the amount of
108 any refund or credit for overpayment of income taxes imposed by this
109 state, or any other state of the United States or a political subdivision
110 thereof, or the District of Columbia, to the extent properly includable
111 in gross income for federal income tax purposes, (iv) to the extent
112 properly includable in gross income for federal income tax purposes
113 and not otherwise subtracted from federal adjusted gross income
114 pursuant to clause (x) of this subparagraph in computing Connecticut
115 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
116 extent any additional allowance for depreciation under Section 168(k)

117 of the Internal Revenue Code, as provided by Section 101 of the Job
118 Creation and Worker Assistance Act of 2002, for property placed in
119 service after December 31, 2001, but prior to September 10, 2004, was
120 added to federal adjusted gross income pursuant to subparagraph
121 (A)(ix) of this subdivision in computing Connecticut adjusted gross
122 income for a taxable year ending after December 31, 2001, twenty-five
123 per cent of such additional allowance for depreciation in each of the
124 four succeeding taxable years, (vi) to the extent properly includable in
125 gross income for federal income tax purposes, any interest income
126 from obligations issued by or on behalf of the state of Connecticut, any
127 political subdivision thereof, or public instrumentality, state or local
128 authority, district or similar public entity created under the laws of the
129 state of Connecticut, (vii) to the extent properly includable in
130 determining the net gain or loss from the sale or other disposition of
131 capital assets for federal income tax purposes, any gain from the sale
132 or exchange of obligations issued by or on behalf of the state of
133 Connecticut, any political subdivision thereof, or public
134 instrumentality, state or local authority, district or similar public entity
135 created under the laws of the state of Connecticut, in the income year
136 such gain was recognized, (viii) any interest on indebtedness incurred
137 or continued to purchase or carry obligations or securities the interest
138 on which is subject to tax under this chapter but exempt from federal
139 income tax, to the extent that such interest on indebtedness is not
140 deductible in determining federal adjusted gross income and is
141 attributable to a trade or business carried on by such individual, (ix)
142 ordinary and necessary expenses paid or incurred during the taxable
143 year for the production or collection of income which is subject to
144 taxation under this chapter but exempt from federal income tax, or the
145 management, conservation or maintenance of property held for the
146 production of such income, and the amortizable bond premium for the
147 taxable year on any bond the interest on which is subject to tax under
148 this chapter but exempt from federal income tax, to the extent that
149 such expenses and premiums are not deductible in determining federal
150 adjusted gross income and are attributable to a trade or business

151 carried on by such individual, (x) (I) for a person who files a return
152 under the federal income tax as an unmarried individual whose
153 federal adjusted gross income for such taxable year is less than fifty
154 thousand dollars, or as a married individual filing separately whose
155 federal adjusted gross income for such taxable year is less than fifty
156 thousand dollars, or for a husband and wife who file a return under
157 the federal income tax as married individuals filing jointly whose
158 federal adjusted gross income for such taxable year is less than sixty
159 thousand dollars or a person who files a return under the federal
160 income tax as a head of household whose federal adjusted gross
161 income for such taxable year is less than sixty thousand dollars, an
162 amount equal to the Social Security benefits includable for federal
163 income tax purposes; and (II) for a person who files a return under the
164 federal income tax as an unmarried individual whose federal adjusted
165 gross income for such taxable year is fifty thousand dollars or more, or
166 as a married individual filing separately whose federal adjusted gross
167 income for such taxable year is fifty thousand dollars or more, or for a
168 husband and wife who file a return under the federal income tax as
169 married individuals filing jointly whose federal adjusted gross income
170 from such taxable year is sixty thousand dollars or more or for a
171 person who files a return under the federal income tax as a head of
172 household whose federal adjusted gross income for such taxable year
173 is sixty thousand dollars or more, an amount equal to the difference
174 between the amount of Social Security benefits includable for federal
175 income tax purposes and the lesser of twenty-five per cent of the Social
176 Security benefits received during the taxable year, or twenty-five per
177 cent of the excess described in Section 86(b)(1) of the Internal Revenue
178 Code, (xi) to the extent properly includable in gross income for federal
179 income tax purposes, any amount rebated to a taxpayer pursuant to
180 section 12-746, (xii) to the extent properly includable in the gross
181 income for federal income tax purposes of a designated beneficiary,
182 any distribution to such beneficiary from any qualified state tuition
183 program, as defined in Section 529(b) of the Internal Revenue Code,
184 established and maintained by this state or any official, agency or

185 instrumentality of the state, (xiii) to the extent allowable under section
186 12-701a, contributions to accounts established pursuant to any
187 qualified [state] tuition program, as defined in Section 529(b) of the
188 Internal Revenue Code, [established and maintained by this state or
189 any official, agency or instrumentality of the state,] (xiv) to the extent
190 properly includable in gross income for federal income tax purposes,
191 the amount of any Holocaust victims' settlement payment received in
192 the taxable year by a Holocaust victim, (xv) to the extent properly
193 includable in gross income for federal income tax purposes of an
194 account holder, as defined in section 31-51ww, interest earned on
195 funds deposited in the individual development account, as defined in
196 section 31-51ww, of such account holder, and (xvi) to the extent
197 properly included in gross income for federal income tax purposes,
198 fifty per cent of the income received from the United States
199 government as retirement pay for a retired member of (I) the Armed
200 Forces of the United States, as defined in Section 101 of Title 10 of the
201 United States Code, or (II) the National Guard, as defined in Section
202 101 of Title 10 of the United States Code.

203 Sec. 3. Section 12-701a of the general statutes is repealed and the
204 following is substituted in lieu thereof (*Effective from passage and*
205 *applicable to taxable years commencing on or after January 1, 2007*):

206 The [maximum] annual modification under subparagraph (B)(xiii)
207 of subdivision (20) of subsection (a) of section 12-701, as amended by
208 this act, shall be equal to the sum of (1) the amount of contributions to
209 all accounts established pursuant to any qualified state tuition
210 program, as defined in Section 529(b) of the Internal Revenue Code,
211 established and maintained by this state or any official, agency or
212 instrumentality of the state, [but shall not exceed] and (2) the amount
213 of contributions to all accounts established pursuant to any qualified
214 tuition program, as defined in Section 529(b) of the Internal Revenue
215 Code, other than the accounts described in subdivision (1) of this
216 subsection, the maximum amount of which shall not exceed five
217 thousand dollars for each individual taxpayer, or ten thousand dollars

218 for taxpayers filing a joint return. Any amount of a contribution that is
 219 not subtracted by the taxpayer in the year for which the contribution is
 220 made, on or after January 1, 2006, may be carried forward as a
 221 subtraction from income for the succeeding five years; provided the
 222 amount subtracted for contributions described in subdivision (2) of
 223 this subsection shall not exceed the maximum allowed under said
 224 subdivision (2) in each subsequent taxable year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2007</i>	12-701(a)(20)(B)
Sec. 2	<i>from passage and applicable to taxable years commencing on or after January 1, 2008</i>	12-701(a)(20)(B)
Sec. 3	<i>from passage and applicable to taxable years commencing on or after January 1, 2007</i>	12-701a

Statement of Purpose:

To expand the income tax deduction for contributions to college savings programs to include all 529(b) plans, and to provide that the limit on deductions on contributions to Connecticut Higher Education Trust be eliminated in order to encourage contributions to CHET.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

Co-Sponsors: SEN. CAPIELLO, 24th Dist.; REP. HAMZY, 78th Dist.
 REP. O'NEILL, 69th Dist.; REP. SAWYER, 55th Dist.

S.B. 125

H.B. 5386, 6022